



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 178/11

CVG
1200-10665 Jasper Avenue
Edmonton, AB T5J 3S9

The City of Edmonton
Assessment and Taxation Branch
600 Chancery Hall
3 Sir Winston Churchill Square
Edmonton AB T5J 2C3

This is a decision of the Composite Assessment Review Board (CARB) from a hearing held on August 22, 2011, respecting a complaint for:

| Roll Number | Municipal Address | Legal Description | Assessed Value | Assessment Type | Assessment Notice for: |
|-------------|---------------------------|----------------------------------|----------------|-----------------|------------------------|
| 9986028 | 14503 Miller Boulevard NW | Plan: 0024700 Block: 9 Lot: 2 | \$14,726,000 | Annual New | 2011 |

Before:

Larry Loven, Presiding Officer
Judy Shewchuk, Board Member
Ron Funnell, Board Member

Board Officer: Nicole Hartman

Persons Appearing on behalf of Complainant:

Peter Smith, CVG

Persons Appearing on behalf of Respondent:

Meghan Richardson, City of Edmonton, Assessor
Steve Lutes, City of Edmonton, Law Branch
Amy Murphy, City of Edmonton – Observer

PRELIMINARY MATTERS

Upon questioning by the Presiding Officer, the parties present indicated no objection to the composition of the Board. In addition, the Board members indicated no bias with respect to this file.

BACKGROUND

The subject property is a two building, 122 suite apartment complex built in 2002 and located in northeast Edmonton. It contains 37 one bedroom suites and 85 two bedroom suites.

ISSUE(S)

Is the 2011 assessment of the subject property at \$14,726,000 fair and equitable?

LEGISLATION

Municipal Government Act, RSA 2000, c M-26

s 467(1) An assessment review board may, with respect to any matter referred to in section 460(5), make a change to an assessment roll or tax roll or decide that no change is required.

s 467(3) An assessment review board must not alter any assessment that is fair and equitable, taking into consideration

- a) the valuation and other standards set out in the regulations,
- b) the procedures set out in the regulations, and
- c) the assessments of similar property or businesses in the same municipality.

POSITION OF THE COMPLAINANT

The Complainant submitted a 22 page evidence package (Exhibit C-1) with five sales comparables, #5 of which was a re-sale of #3. The Complainant stated that #4 is the most similar to the subject in age and asked that the Board place most weight on comparables #2, #3, #4, and #5. Based on his analysis of the data from his comparables the Complainant suggested that a gross income multiplier (GIM) of 9.5 and a capitalization rate (cap rate) of 7.25% be applied to the subject.

The Complainant conceded that the Respondent's 4% vacancy rate, potential gross income (PGI) of \$1,472,208, and typical expenses of \$3,600 per suite were appropriate.

First, the Complainant applied the 7.25% cap rate to the Respondent's calculation of net operating income of \$974,120 arriving at a value of \$13,436,000.

Secondly, applying the same cap rate of 7.25% to the actual net income of \$836,670 for 2010 (C-1, p. 13) results in a value of \$11,540,000.

Thirdly, applying the same cap rate of 7.25% to the actual net income of \$903,429 for 2009 (C-1, p. 17) results in a value of \$12,461,000.

Fourthly, the Complainant applied his GIM of 9.5 to the Respondent's effective gross income estimate of \$1,413,320 to arrive at a value of \$13,427,000.

Finally, the Complainant requested that the Board place most weight on the cap value of the 2010 actual income and reduce the assessment to \$12,000,000.

The Complainant asked that his further arguments be carried forward from roll #6792105.

POSITION OF THE RESPONDENT

The Respondent provided a 143 page 2011 Assessment Brief (Exhibit R-1) containing six sales comparables (R-1, p. 63). The brief included Network's information on the six comparables (R-1, p. 61) as well as Anderson Data Online information on the same six sales comparables (R-1, p. 62). Pages 61-63 of R-1 was reproduced and submitted as R-2.

The Respondent's information regarding its sales comparables included attributes regarding location, size, effective age built, condition, suite mix, GIM, cap rate and sale price. The time adjusted sale price per suite of the Respondent's comparables ranged from \$90,000 to \$145,000.

Also included in the Assessment Brief were thirteen assessment equity comparables including the subject (R-1, p. 64)

The Respondent spoke to the City of Edmonton Income (SPSS) Detail report of the subject property (R-1, p. 29) which featured a Potential Gross Income of \$1,472,208, a vacancy allowance of 4% or \$58,888, and an effective potential gross income of \$1,413,320. Application of the Respondent's Gross Income Multiplier of 10.4197 produced a 2011 Assessment of \$14,726,000 or \$120,704 per suite.

The Respondent explained that the model uses actual sales information to arrive at typical values.

When reviewing the Complainant's favoured sales comparables #2, #3, #4, and #5 the Respondent pointed out that sales #3 and #4 were motivated sales and not indicative of market value. Further, the Complainant's rental income statements (C-1, p. 11-18) were un-audited and should not be used.

The Respondent submitted that the Complainant's evidence was inconsistent and the sales comparables were not time adjusted.

The Respondent also noted (R-1, p. 31) that the Owner Contact and Certification form provided by the Complainant referred to a November 2009 appraisal of \$14,790,000 and maintained that the market for low-rise multi-family residential developments is unchanged since that date.

DECISION

The decision of the Board is to confirm the original assessment of \$14,726,000.

REASONS FOR THE DECISION

The vacancy rate of 4% for the subject party was accepted by both the Complainant and the Respondent.

The Board finds that the capitalization rate of 7.25%, with adjustments to the net operating income, deemed to be appropriate by the Complainant to support a market value lower than the assessment, was not supported by the sales comparables provided by the Respondent. The Board notes that the Complainant used the same sales comparables to determine the requested GIM.

The Board notes that the Complainant's GIMs were from a third party source and the Respondent's determined by their model, and finds that the Gross Income Multipliers (GIMs) for the sales comparables given by the Complainant were somewhat lower than those given by the Respondent. Furthermore, the Respondent provided the Network and Anderson data sheets for each of their sales comparables (R-1, pages 61-63; and, reproduced in R-2) to illustrate that there are discrepancies in their published GIM and cap rates even on the same sale. As a result, the Board placed little weight on one or the other and relied upon the Direct Comparison Approach using the time-adjusted sale price per suite, rather than value as determined by various effective gross income, cap rate and GIM factors.

The Board finds that a comparison of the characteristics of the Complainant's four sales comparables and the Respondent's six sales comparables, summarized in the following table, provides the Board with little evidence to support the requested reduction.

| Variable | Complainant Minimum | Complainant Maximum | Subject (Assessed) | Respondent Minimum | Respondent Maximum |
|--|--------------------------------|--------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Effective Age | 1973 | 2002 | 2002 | 1964 | 2003 |
| % Suite Mix (B;1-B;2-B;3-B) | (0;68;32;0) | (0;42;52;6) | (0;68;32;0) | (18;55;29;0) | (0;14;86;0) |
| # Suites | 12 | 192 | 122 | 40 | 156 |
| # Stories | 2.5 | 4 | 2.5 | 2.5 | 4 |
| SP/Suite | \$81,250 (non TA) | \$125,000 (non TA) | \$120,704 | \$90,000 (TA) | \$145,000 (TA) |
| GIM | 9.04 | 11.60 | 10.4197 | 9.4 | 12.23 |
| Cap Rate (%) | 6.46 | 7.42 | | 5.60 | 7.09 |

The Board accepts information provided by the property manager of the subject property that an appraisal of the subject property for the purposes of determining market value was conducted within the past 12 months and the value was \$14,790,000.

In its consideration of the above reasons, the Board finds the subject property to be fairly and equitably valued at \$ 120,704 per suite or \$14,726,000.

DISSENTING OPINION AND REASONS

There were no dissenting opinions.

Dated this 19th day of September, 2011, at the City of Edmonton, in the Province of Alberta.

Larry Loven, Presiding Officer

This decision may be appealed to the Court of Queen's Bench on a question of law or jurisdiction, pursuant to Section 470(1) of the Municipal Government Act, RSA 2000, c M-26.

cc: 1492951 ONTARIO INC